

# Medical Assistance

## Medicaid - Title XIX



### Purpose

Medical Assistance (Medicaid—Title XIX) provides medically necessary healthcare coverage for financially needy adults, children, parents with children, people with disabilities, elderly people, and pregnant women. The goal is for members to live healthy, stable, and self-sufficient lives.

### Who Is Helped

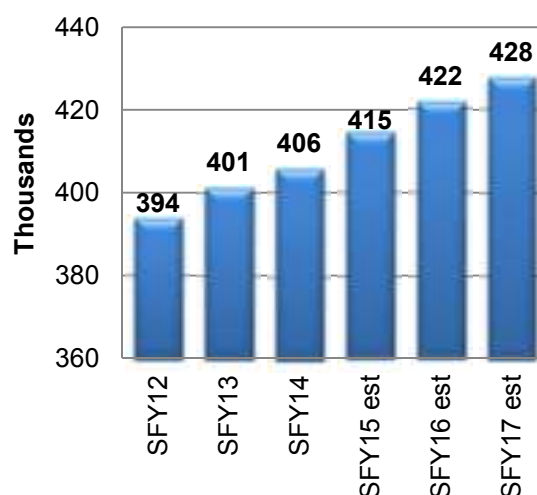
Medicaid is projected to serve nearly 680,000 Iowans (unduplicated) or 22.2 percent of Iowa's population in SFY14 and nearly 800,000 (unduplicated) or 26.0 percent in SFY15.

- Medicaid is Iowa's second largest healthcare payor, processing nearly 46 million claims in SFY14 (18 percent increase over SFY13).

Traditional Medicaid eligibility is based on a combination of income and other criteria that must be met.

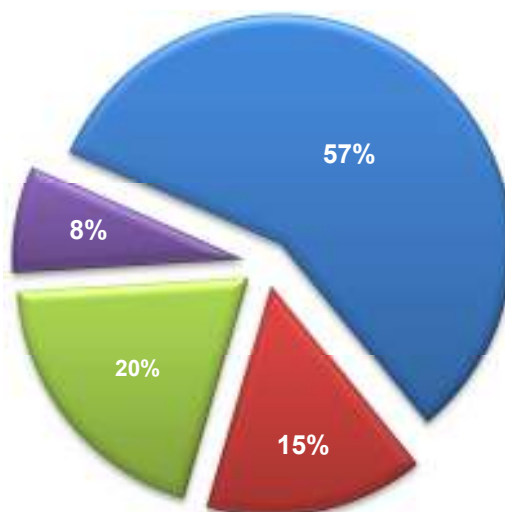
- Members must meet certain income criteria based on multiple eligibility standards and be a U.S. citizen or a legal qualified non-citizen. Citizenship status is verified through the Social Security Administration and legal non-citizens must provide original documentation to verify their status.
- Generally, Medicaid covers low-income members who are aged (over age 65), blind, disabled, pregnant women, children (under 21 years of age), or members of a family with children.
- Medicaid is not available to individuals considered to be inmates of public, non-medical institutions except for inpatient hospital care provided off the grounds of the jail/prison under certain circumstances. Persons who are on probation or are paroled are not considered inmates. Persons who are on work release are considered to be inmates.
- The most common Medicaid member is, on average, a 9-year old child who is very healthy and uses very few health care services apart from well-child care, immunizations, and treatment for common childhood illnesses, such as ear infections. Medicaid covers thousands of such children for very minimal cost.

### Average Regular Medicaid Enrollment



### Average Regular Medicaid Enrollment SFY14: 405,704

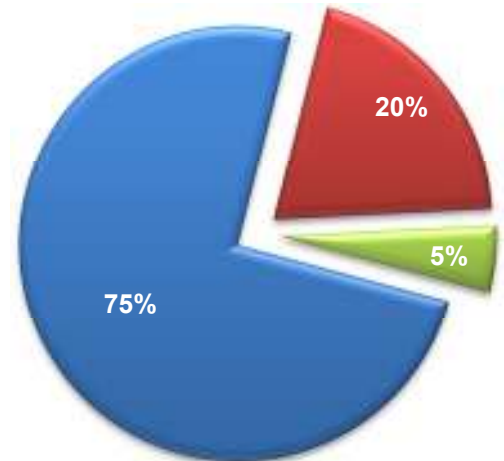
- Child (57%)
- Adult (15%)
- Disabled (20%)
- Elderly (8%)



- Additional populations served include:
  - Individuals with income over 133 percent of the Federal Poverty Level (FPL) through the Family Planning Waiver. This program provides very limited covered services.
  - Medicare populations, where Medicaid covers the cost of Medicare premiums, deductibles, and co-payments (Qualified Medicare Beneficiaries).
- The Iowa Health and Wellness Plan was enacted through bi-partisan legislation to provide comprehensive health coverage to low income adults. The plan offers coverage to adults age 19-64 with an income up to 133 percent of the FPL (\$15,521 per year in 2014). The plan began on January 1, 2014, and currently serves more than 100,000 Iowans.
  - Iowa Wellness Plan: The Iowa Wellness Plan is an Iowa Medicaid program that covers adults ages 19 to 64. Eligible member income is at or below 100 percent of the FPL (\$11,490 for individuals or \$15,510 for a family of two). Members can choose a provider from the statewide Medicaid provider network and are able to get care from local providers.
  - Iowa Marketplace Choice Plan: The Iowa Marketplace Choice Plan covers adults ages 19 to 64 with income from 101 percent through 133 percent of the FPL (\$15,511 for individuals or \$20,628 for a family of two). The Marketplace Choice Plan allows members to get health care coverage through select insurers with plans on the Health Insurance Marketplace. Medicaid pays the premiums of the health plan for the member. Members get care from providers approved by the health plan.

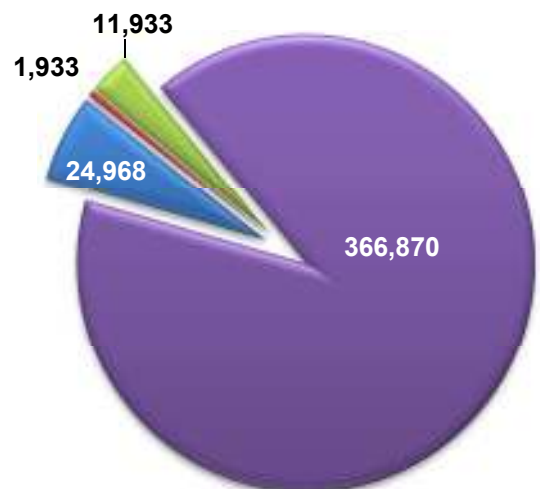
### Ending Medicaid Enrollment SFY14

- Regular Medicaid (75%)
- Iowa Health and Wellness Plan (20%)
- Family Planning Waiver (5%)



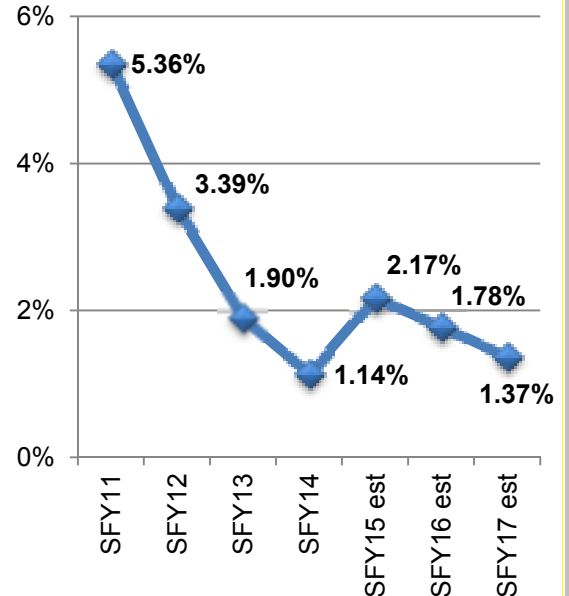
### Recipients by Setting SFY14

- HCBS Waivers (24,968)
- ICF/ID (1,933)
- NF (11,933)
- Home (366,870)



- **Enrollment growth is slowing.** There were 408,356 members enrolled in regular Medicaid at the end of SFY14, a growth of 1.14 percent from SFY13. Growth has decreased from 1.90 percent in SFY13 and 3.39 percent in SFY12. Excluding the Iowa Health and Wellness Plan, enrollment growth is projected to increase by 1.78 percent in SFY16 and 1.37 percent in SFY17.
- Effective January 1, 2014, the ACA established new streamlined eligibility and enrollment processes for Medicaid, which includes determining income eligibility for most groups based on Modified Adjusted Gross Income (MAGI). The conversion to the MAGI method of income determination changes income eligibility thresholds for the purpose of creating standardization nationwide. However, this conversion is not expected to change the population served.
- Of those newly enrolled, the largest growth in recent years has been with children, but this growth has steadily declined. In SFY11 growth was 6.47 percent, in SFY12 growth fell to 3.72 percent, in SFY13 growth fell to 2.43 percent, and in SFY14, growth was 0.91 percent. Growth for SFY15 – SFY17 is projected to be 1.01 percent in SFY15, 1.20 percent in SFY16, and 1.11 percent in SFY17.
- Medicaid plays a key role in the state's child welfare system by funding healthcare for children in state care. Medicaid provides coverage to children in subsidized adoptive homes, thereby making permanent placement more accessible for children who cannot return to their birth families.

**Medicaid Enrollment Change**



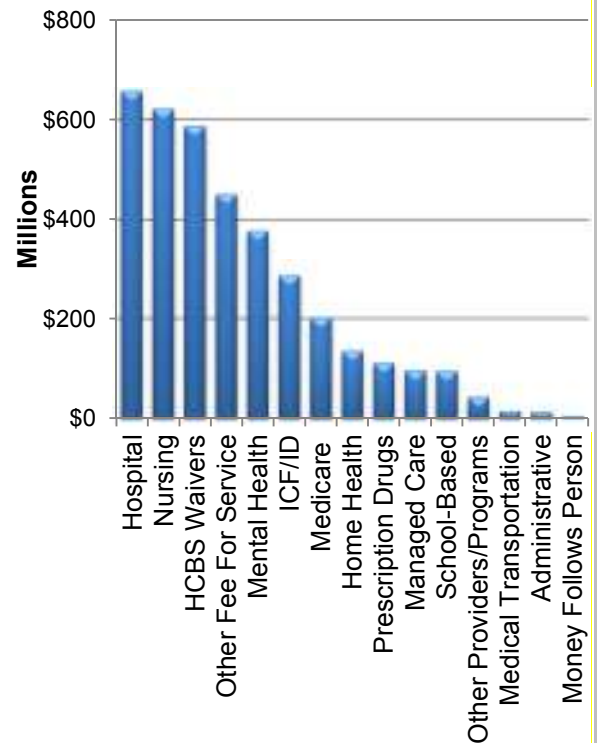
- ✓ *Since SFY10, children have accounted for 65 percent of Medicaid growth.*
- ✓ *Medicaid serves adults with serious and persistent mental illness (such as schizophrenia or bipolar disorder) and children with Serious Emotional Disturbance. Studies show that adults with serious mental illness live 25 years less than adults without this condition.*
- ✓ *Medicaid serves elderly persons who are low-income and very frail. The typical long term care member for older Iowans (65 and older) is a 72 year-old female who needs assistance with at least one activity of daily living, such as personal care.*
- ✓ *Medicaid serves individuals with both physical and/or intellectual disabilities. The typical member with a disability accessing long term care services is a 28 year-old male with an intellectual disability and needs supports with life skills.*

## Services

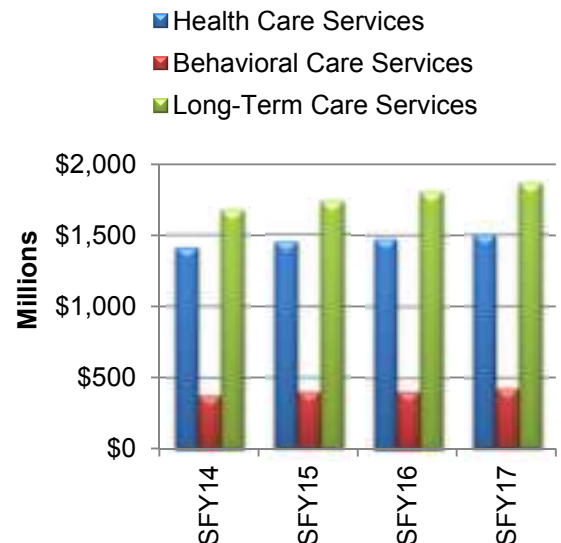
Medicaid covers a comprehensive range of healthcare services for lowans who meet the program's eligibility criteria.

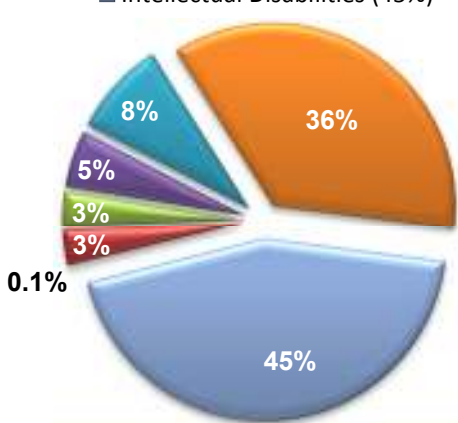
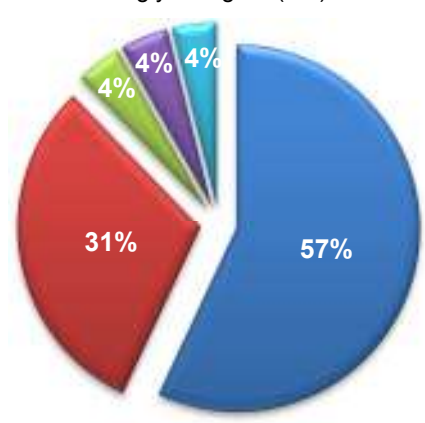
- **Healthcare Services** include physician care, hospital services, labs, prescription drugs, home health care, rural health clinic (RHC) services, Federally Qualified Health Centers (FQHCs) services, chiropractic care, physical therapy, and dental care.
- **Behavioral Care Services** include community mental health services, hospital services, physician care, psychiatric medical institution care, outpatient treatment and therapy, rehabilitative mental health services (known as Behavioral Health Intervention Services), as well as non-traditional services such as peer support and Assertive Community Treatment, and substance abuse treatment. The majority of Medicaid behavioral care services are delivered through the **Iowa Plan**, which is a federally approved waiver that allows services to be delivered through a managed care organization, currently awarded to Magellan.
- **Long-Term Care Services** include nursing home care, Intermediate Care Facilities for Persons with Intellectual Disabilities (ICF/ID), and home and community based services that allows individuals to remain in their homes.
- **Home and Community Based Services (HCBS)** allow members to remain in their homes at a lower cost than being served in a facility. Long-term care services provided at home include services such as home health, assistance with personal care, homemaking, and respite care that allows individuals to avoid or delay institutional care.

### SFY14 Medicaid Expenditures by Provider Type \$3.7 Billion

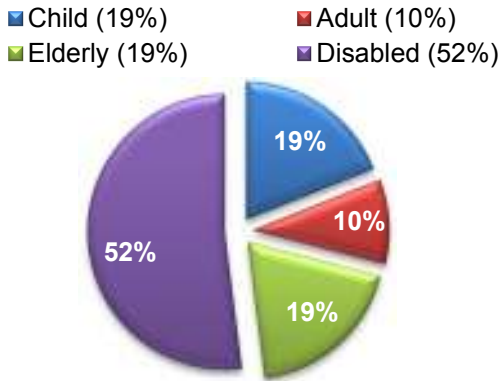
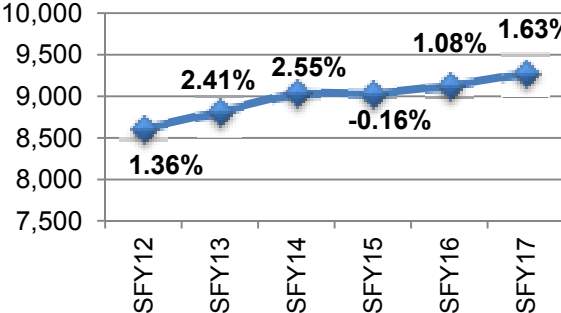


### Medicaid Spending by Category



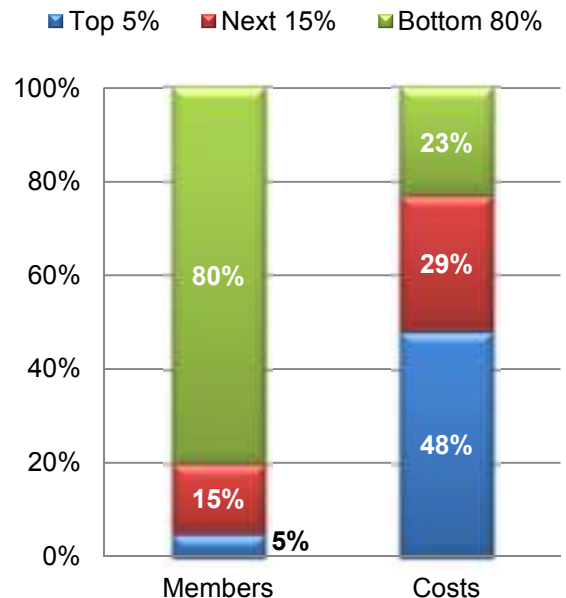
	<ul style="list-style-type: none"> <li>• <b>HCBS Services</b> are delivered through seven 1915(c) waivers that are targeted to specific populations including persons who: <ul style="list-style-type: none"> <li>○ Are Elderly</li> <li>○ Have an Intellectual Disability</li> <li>○ Have a Disability (two waivers) <ul style="list-style-type: none"> <li>▪ Physical</li> <li>▪ Other Disabilities</li> </ul> </li> <li>○ Are Children with Serious Emotional Disturbance</li> <li>○ Are Living with HIV/AIDS</li> <li>○ Have a Brain Injury</li> </ul> </li> </ul>	<p><b>SFY14 HCBS Waiver Recipients</b></p> <ul style="list-style-type: none"> <li>■ Persons with HIV/AIDS (0.1%)</li> <li>■ Physical Disabilities (3%)</li> <li>■ Children with SED (3%)</li> <li>■ Brain Injury (5%)</li> <li>■ Health &amp; Disability (8%)</li> <li>■ Elderly (36%)</li> <li>■ Intellectual Disabilities (45%)</li> </ul> 
	<ul style="list-style-type: none"> <li>✓ <i>The average cost of a member in a nursing facility is \$48,473 per year, versus \$10,724 for a person served through an HCBS waiver.</i></li> <li>✓ <i>The average cost of a member in an Intermediate Care Facility for the Intellectually Disabled is \$151,271, versus an average cost of \$38,644 for a person served through the HCBS ID waiver.</i></li> <li>✓ <i>Medicaid generates 10-20 percent of most hospitals' revenues, but is on average, about 50 percent of nursing facilities' revenue. In the area of services for people with disabilities, Medicaid is often the primary or only revenue source.</i></li> </ul>	
<p><b>Goals &amp; Strategies</b></p>	<p>Iowa seeks to not simply be a payor of healthcare services, but to manage high quality and cost effective healthcare. IME continually produces a high return on investment saving millions of dollars through program integrity initiatives while maintaining a four percent administrative cost ratio.</p> <ul style="list-style-type: none"> <li>• Improve Iowans' health status <ul style="list-style-type: none"> <li>○ Provide access to healthcare services</li> <li>○ Promote patient centered care via Health Homes</li> <li>○ The Iowa Wellness Plan implements the use of Accountable Care Organizations (ACO), which focus on driving improved patient outcomes.</li> </ul> </li> <li>• Promote behavioral health status <ul style="list-style-type: none"> <li>○ Provide access to mental health services</li> <li>○ Develop an array of critical mental health services</li> </ul> </li> </ul>	<p><b>SFY13 Member Agreement that Getting a Visit with a Provider is Easy</b></p> <ul style="list-style-type: none"> <li>■ Strongly Agree (57%)</li> <li>■ Somewhat Agree (31%)</li> <li>■ Neither (4%)</li> <li>■ Somewhat Disagree (4%)</li> <li>■ Strongly Disagree (4%)</li> </ul> 



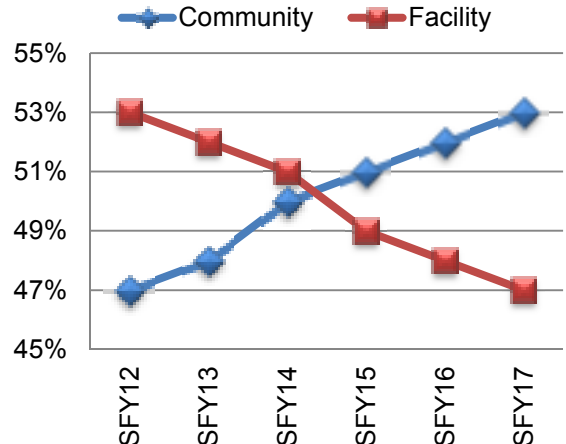
	<ul style="list-style-type: none"> <li>Promote choice for seniors and persons with disabilities <ul style="list-style-type: none"> <li>Promote access to home and community based options for seniors and persons with disabilities</li> </ul> </li> <li>Effectively manage Medicaid <ul style="list-style-type: none"> <li>Implement cost containment strategies</li> <li>Expand program integrity</li> <li>Medicaid has achieved savings through the Health Insurance Premium Payment Program (HIPP) where Medicaid pays premiums for private insurance if determined cost effective.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Iowa was one of the first states to implement a Health Home program, which provides payments to providers to coordinate health care for members with chronic disease.</li> <li>Health Home savings are projected to be between \$7 million and \$15 million in state dollars over the three-year period from 2013-2015.</li> <li>The HIPP program produced a net savings to the Medical program of \$8.3 million (state and federal) in SFY14.</li> <li>The projected Preferred Drug List (PDL) savings for the state in SFY14 are \$78 million.</li> </ul> <p>✓ <i>The Iowa Plan provided over 1,668 joint individual conferences in SFY14 where parents and the member were involved in determining the treatment plan as a part of the Intensive Care Management program in order to reduce inpatient hospitalizations.</i></p> <p>✓ <i>Medicaid collected over \$226 million in revenue through cost avoidance and recovery when other insurance is present in SFY14. IME projects \$245 million to be collected in SFY16.</i></p> <p>✓ <i>Medicaid achieved savings and cost avoidance of \$49.4 million (state and federal) through the identification of overpayments, coding errors, and fraud and abuse in SFY14.</i></p>																								
<b>Cost of Services</b>	<ul style="list-style-type: none"> <li><b>Costs remain low.</b> The trend in the growth of the cost per member has been very low. Projected per member costs are projected to decrease by 0.16 percent in SFY15, increase by 1.08 percent in SFY16 and increase by 1.63 in SFY17.</li> <li><b>Costs vary widely.</b> 57 percent of Medicaid members are children, but they account for only 19 percent of costs. Conversely, 20 percent of members are people with disabilities, but they account for over half of Medicaid expenses.</li> <li>The average annual cost for Medicaid services provided to a member is \$9,046 in SFY14 (all funds). Medicaid has a large number of healthy children with a low cost of \$2,909, and a small number of very costly elderly and disabled persons with an average cost of \$22,846.</li> <li>Members with chronic disease drive a significant share of Medicaid costs. Five percent of members account for 48 percent of acute care costs.</li> </ul>	<p><b>SFY14 Iowa Medicaid</b></p>  <p>■ Child (19%)      ■ Adult (10%) ■ Elderly (19%)    ■ Disabled (52%)</p> <p><b>Change in Medicaid Cost Per Member</b></p>  <table border="1"> <caption>Change in Medicaid Cost Per Member</caption> <thead> <tr> <th>Year</th> <th>Cost Per Member</th> <th>% Change</th> </tr> </thead> <tbody> <tr> <td>SFY12</td> <td>~8,500</td> <td>-</td> </tr> <tr> <td>SFY13</td> <td>~8,800</td> <td>1.36%</td> </tr> <tr> <td>SFY14</td> <td>~9,046</td> <td>2.41%</td> </tr> <tr> <td>SFY15</td> <td>~9,100</td> <td>2.55%</td> </tr> <tr> <td>SFY16</td> <td>~9,080</td> <td>-0.16%</td> </tr> <tr> <td>SFY17</td> <td>~9,180</td> <td>1.08%</td> </tr> <tr> <td>SFY18</td> <td>~9,350</td> <td>1.63%</td> </tr> </tbody> </table>	Year	Cost Per Member	% Change	SFY12	~8,500	-	SFY13	~8,800	1.36%	SFY14	~9,046	2.41%	SFY15	~9,100	2.55%	SFY16	~9,080	-0.16%	SFY17	~9,180	1.08%	SFY18	~9,350	1.63%
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- As a result, a key initiative for Medicaid to reduce health care costs is implementation of health homes for members with chronic disease.
- Many of these high cost members are also 'dual eligibles' (members who are eligible for both Medicare and Medicaid). More than half of dual eligibles are adults with a Serious Mental Illness. 70,000 dual eligibles cost more than \$1 billion.
- The Iowa Wellness Plan aligns a value-based payment strategy with Medicare, Wellmark and others to drive transformation in the healthcare delivery system to focus payment on results (outcomes) rather than quantity.
- Long term care costs account for more than half of Medicaid spending. Many individuals could be served in less expensive home and community based settings. Iowa has an approved Balancing Incentive Program (BIP) plan that provided \$19.7 million in federal savings in SFY14 that will be used toward equalizing expenditures between facility-based and home and community based care. This grant ends September 30, 2015.
- Approximately half of Medicaid expenditures are for long term care costs, such as nursing facilities, home and community based supports, and services for persons with disabilities.

### Chronic Care Within Medicaid



### LTC Percentage of Expenditures by Setting



- ✓ *The top five percent high cost/high risk Medicaid members have an average of 4.2 chronic conditions, receive care from five different physicians, and receive prescriptions from six prescribers. They account for 90 percent of all hospital readmissions within 30 days, 51 percent of all preventable hospitalizations, 75 percent of all inpatient costs, 48 percent of all acute care costs, and 21 percent of the prescription drug costs.*
- ✓ *Medicaid payments to hospitals total over \$600 million per year.*

## Funding Sources

Medicaid is funded by state general funds, other state funds, and federal matching funds through the Federal Medical Assistance Percentage (FMAP).

The total budget for SFY16 is \$4.11 billion:

- \$1.39 billion (33.7 percent) is state general fund.
- \$2.06 billion (50.1 percent) is federal funding.
- \$666.0 million (16.2 percent) is other state funding including drug rebates and other recoveries, Health Care Trust Fund (tobacco tax), and nursing facility and hospital assessment fee revenue.

The total budget for SFY17 is \$4.25 billion:

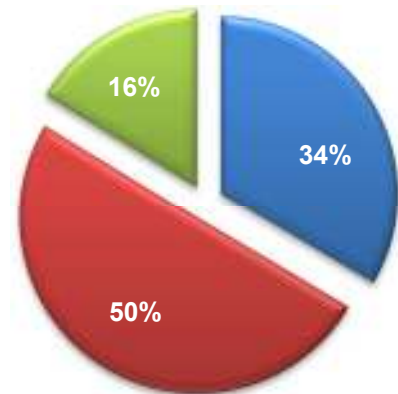
- \$1.47 billion (34.7 percent) is state general fund.
- \$2.09 billion (49.1 percent) is federal funding.
- \$687.3 million (16.2 percent) is other state funding including drug rebates and other recoveries, Health Care Trust Fund (tobacco tax), and nursing facility and hospital assessment fee revenue.

The FMAP rate (federal share) has decreased with the expiration of ARRA. Iowa's FMAP rate has also declined as Iowa's economy improves relative to other states.

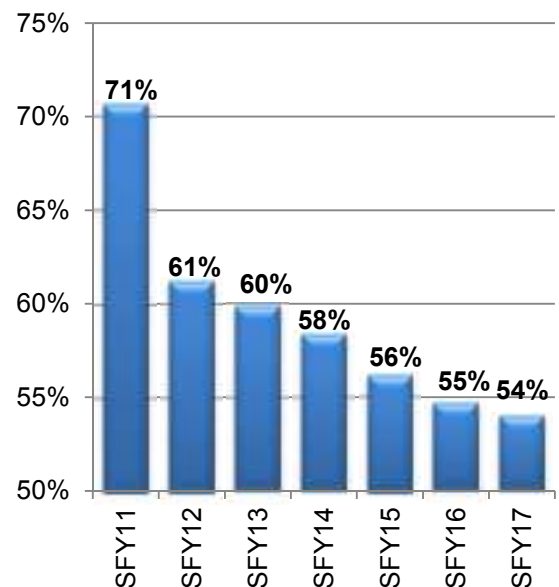
- SFY11: 70.64 percent
- SFY12: 61.19 percent
- SFY13: 59.87 percent
- SFY14: 58.35 percent
- SFY15: 56.14 percent
- SFY16: 54.65 percent
- SFY17: 53.96 percent

### SFY16 Funding

- State General Fund (34%)
- Federal (50%)
- Other Funding (16%)



### Iowa FMAP Rate





SFY16 & SFY17 Budget Drivers	<p>The total SFY16 Medical Assistance budget request reflects a \$170,776,835 (14.0 percent) general fund increase from the SFY15 Enacted Appropriation.</p> <p>The total SFY17 Medical Assistance budget request reflects a \$256,123,042 (21.1 percent) general fund increase from the SFY15 Enacted Appropriation.</p> <p>The SFY16 and SFY17 requests do not include funding for nursing facility rebasing, hospital rebasing, the home health low utilization payment adjustment (LUPA) rate update, or increases in inpatient psychiatric reimbursement rates.</p>	<p><b>Medicaid Increase by Budget Driver (Compared to the SFY15 Enacted Budget)</b></p> <ul style="list-style-type: none"><li>Federal Match (43%)</li><li>Prior Year (30%)</li><li>Current Year Trends/Changes (27%)</li></ul> <table><caption>Medicaid Increase by Budget Driver Data</caption><tr><th>Budget Driver</th><th>Percentage</th></tr><tr><td>Federal Match</td><td>43%</td></tr><tr><td>Prior Year</td><td>30%</td></tr><tr><td>Current Year Trends/Changes</td><td>27%</td></tr></table>	Budget Driver	Percentage	Federal Match	43%	Prior Year	30%	Current Year Trends/Changes	27%
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<p>The key drivers of the SFY16 increase are:</p> <ul style="list-style-type: none"><li>FMAP rate changes (\$73.3 million)</li><li>SFY15 unfunded need (\$48.5 million)</li><li>Replacement of funds appropriated in SFY15 that will not be available in SFY16. This includes the Medicaid Fraud Fund (\$2.4 million).</li><li>Anticipated growth in enrollment and costs (\$46.6 million).</li></ul> <p>This results in a new SFY16 request of \$170.8 million.</p>										
<p>✓ <i>More than \$50.9 million of projected expenditure increases are due to an anticipated unfunded need in SFY15 and state revenue losses.</i></p> <p>✓ <i>FMAP decreases result in a revenue decrease of \$73.3 million in SFY16.</i></p>										
Legal Basis	<p><b>Federal:</b> Title XIX of the Social Security Act 42 CFR 440. 42 CFR 440.210 and 42 CFR 440.220</p> <p><b>State:</b> The Iowa Code Chapter 249A further defines the services and eligibility categories the Iowa Medicaid Program is required to cover. This offer maintains statutorily required services and populations.</p>									